

Auditing Procedures Report

Issued under P.A. 2 of 1966, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Sheridan Township	County Calhoun
Fiscal Year End 3-31-05	Opinion Date 4-18-06	Date Audit Report Submitted to State 8-30-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

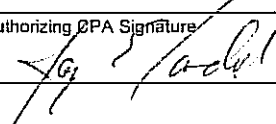
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	No Comments or Recommendations		
Other (Describe)	<input type="checkbox"/>	None		
Certified Public Accountant (Firm Name) Cardinal Tepatti & Co., P.C.		Telephone Number 517-627-4008		
Street Address 11966 Sweetwater Dr		City Grand Ledge	State MI	Zip 48837
Authorizing CPA Signature 		Printed Name Jay E Cardinal		License Number 1101009698

SHERIDAN TOWNSHIP

CALHOUN COUNTY

AUDIT REPORT

FOR THE YEAR ENDED MARCH 31, 2005

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Jay E. Cardinal, CPA
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Steven W. Shults, CPA
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INDEPENDENT AUDITOR'S REPORT

Honorable Board Members
Sheridan Township
Albion, MI 49224

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sheridan Township, Albion, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sheridan Township, management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sheridan Township, Albion, Michigan, as of March 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, as of March 31, 2005.

Honorable Board Members
Sheridan Township
Albion, MI 48821

The management's discussion and analysis, pages 3 through 5, budgetary comparison information, pages 22 through 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sheridan Township, Albion, Michigan, basic financial statements. The schedule of indebtedness is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of indebtedness has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Cardinal Tegally & Co. P.C.

Grand Ledge, Michigan
April 18, 2006

SHERIDAN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2005

The management of the Sheridan Township, ("the Township") offers this narrative overview and analysis of the financial activities of the Township for the year ended March 31, 2005 for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Township's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

The assets of the Township exceeded its liabilities at the close of the year by \$1,266,656 (net assets). Of this amount, \$266,876 (unrestricted net assets) may be used to meet the Township's ongoing obligations to citizens and creditors.

The Township's total net assets increased by \$68,956.

Overview of the Financial Statements

The Township's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

For the first time, this report includes government-wide statements as required by GASB Statement Number 34. The government-wide financial statements are designed to provide a broad overview of the Township's financial position. The Statement of Net Assets and the Statement of Activities are two new financial statements that report information about the Township as a whole, and provide measurements of long-term trends. They are presented using a method of accounting that is similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, the difference between the two being reported as the Net Assets of the Township. Over time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities gives the information on the revenues and expenses causing the underlying change in the government's net assets during the most recent year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements can be found on pages 6 and 7 of this report.

Focus on Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific

activities or objectives. The Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Township are categorized as governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide information to facilitate this comparison between governmental funds and governmental activities.

The Township maintains three individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance. The general, fire department, and sewer project debt service funds are considered to be major funds.

The Township adopts an annual appropriated budget for its general fund and fire department fund. Budgetary comparison statements have been provided for the general and fire department funds in the required supplementary information.

The basic governmental fund financial statements can be found on pages 8 and 10 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-side and fund financial statements. The notes to the financial statements can be found on pages 15 through 28 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's general fund and fire department budgets on pages 29 and 30.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Township, assets exceeded liabilities by \$1,266,657 at the close of the most recent fiscal year.

A large portion of the Township's net assets (50 percent) reflects its investment in capital assets (e.g., Township land and buildings, furniture and fixtures, and equipment), less any related debt, \$170,433 at year end, used to acquire those assets that are still outstanding. The Township uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending.

Net assets restricted for debt service on the sewer project bonds and the township hall comprise 16 percent of total net assets at yearend.

Condensed Financial Information

The table below compares key financial information in condensed format:

	2005
Current Assests	\$ 801,834
Capital Assets - Net of Depreciation	798,747
Total Assets	1,600,581
Other Liabilities	8,492
Long-Term Debt	325,433
Total Liabilities	333,925
Net Assets:	
Invested in Capital Assets, Net of Debt	628,314
Restricted for Debt Service	201,033
Unrestricted	437,309
Total Net Assets	\$ 1,266,656
Revenue:	
Taxes	\$ 283,717
State-Shared Revenues	165,085
Operating Grants	49,767
Investment Earnings	13,079
Franchise Fees	4,578
Other	27,079
Total Revenue	543,305
Program Expenses	
General Government	146,672
Public Safety	239,080
Public Works	6,667
Community and Economic Development	11,453
Other	55,705
Interest on Long-Term Debt	14,772
Total Expenses	474,349
Changes in Net Assets	\$ 68,956

Contacting the Township

This financial report is designed to provide the wide variety of users of this document with a general overview of the Township's finances and demonstrate the Township's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the Sheridan Township, 13355 29 Mile Road, Albion, Michigan 49224-9428.

SHERIDAN TOWNSHIP
GOVERNMENT WIDE STATEMENT OF NET ASSETS
MARCH 31, 2005

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 466,293
Investments	145,522
Receivables - Net	183,486
Prepaid Insurance	6,533
Capital Assets - Net	<u>798,747</u>
Total Assets	<u>\$ 1,600,581</u>
LIABILITIES	
Accounts Payable	\$ 4,030
Accrued and Other Liabilities	4,462
Noncurrent Liabilities	
Due Within One Year	40,373
Due in More Than One Year	<u>285,060</u>
Total Liabilities	<u>\$ 333,925</u>
NET ASSETS	
Invested in Capital Assets	\$
Net of Related Debt	628,314
Restricted for Debt Service	201,033
Unrestricted	<u>437,309</u>
Total Net Assets	<u>\$ 1,266,656</u>

The notes to the financial statements are an integral part of this statement.

SHERIDAN TOWNSHIP
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED MARCH 31, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions
Primary Government				
Governmental Activities:				
General Government	\$ 146,672	\$	\$	\$ (146,672)
Public Safety	239,080	2,370		(186,943)
Public Works	6,667			(6,667)
Community and Economic Development	11,453			(11,453)
Other	55,705			(55,705)
Interest on Long-Term Debt	14,772			(14,772)
Total Governmental Activities	\$ 474,349	\$ 2,370	\$ -0-	\$ 49,767
General Revenues:				
Property Taxes				283,717
State-Shared Revenues				165,085
Investment Earnings				13,079
Franchise Fees				4,578
Miscellaneous				24,709
Total General Revenues and Transfers				\$ 491,168
Change in Net Assets				\$ 68,956
Net Assets - April 1				1,197,700
Net Assets - March 31				\$ 1,266,656

The notes are an integral part of the statements.

**SHERIDAN TOWNSHIP
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2005**

	General Fund	Fire Department Fund	Sewer Project Debt Service Fund	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 435,100	\$ 160	\$ 31,033	\$ 466,293
Investments	130,522		15,000	145,522
Receivables	5,769	22,230	155,000	182,999
Due From Other Funds		77,862		77,862
Receivable From State	487			487
Total Assets	\$ 571,878	\$ 100,252	\$ 201,033	\$ 873,163
Liabilities				
Accounts Payable	\$ 3,750	\$ 280		\$ 4,030
Accrued Expenses	4,462			4,462
Due to Other Funds	77,862			77,862
Deferred Revenue			155,000	155,000
Total Liabilities	\$ 86,074	\$ 280	\$ 155,000	\$ 241,354
Fund Balances				
Reserved	\$		46,033	46,033
Unreserved	485,804	99,972		585,776
Total Fund Balances	\$ 485,804	\$ 99,972	\$ 46,033	\$ 631,809
Total Liabilities and Fund Balances	\$ 571,878	\$ 100,252	\$ 201,033	\$ 873,163

The Notes to Financial Statements are an integral part of this statement.

**SHERIDAN TOWNSHIP
GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL
FUNDS TO STATEMENT OF NET ASSETS
MARCH 31, 2005**

Total fund balance -Total governmental funds	\$ 631,809
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the governmental fund financial statements.	1,628,332
Accumulated depreciation has not been included in the governmental fund financial statements.	(829,585)
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures.	155,000
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	(325,433)
Prepaid items are not available to pay current-period expenditures and, therefore, not reported in the funds.	<u>6,533</u>
Net assets of governmental activities	\$ <u><u>1,266,656</u></u>

The Notes to Financial Statements are an integral part of this statement.

**SHERIDAN TOWNSHIP
GOVERNMENTAL FUNDS STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCE
MARCH 31, 2005**

	General Fund	Fire Department Fund	Sewer Project Debt Service Fund	Total Governmental Funds
Revenues				
Taxes	\$ 58,196	\$ 200,521	\$ 25,000	\$ 283,717
Licenses and Permits	16,642			16,642
Federal Grants		49,767		49,767
State Grants	165,085			165,085
Charges for Services		2,370		2,370
Interest and Rentals	3,071		10,008	13,079
Other Revenue	10,145	2,500		12,645
Total Revenues	<u>\$ 253,139</u>	<u>\$ 255,158</u>	<u>\$ 35,008</u>	<u>\$ 543,305</u>
Expenditures				
Current				
General Government	\$ 123,275	\$	\$	\$ 123,275
Public Safety	8,052	230,693		238,745
Public Works	6,667			6,667
Community and Economic Development	11,453			11,453
Other	21,193			21,193
Capital Outlay	34,512			34,512
Debt Service	30,411		28,600	59,011
Total Expenditures	<u>\$ 235,563</u>	<u>\$ 230,693</u>	<u>\$ 28,600</u>	<u>\$ 494,856</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 17,576</u>	<u>\$ 24,465</u>	<u>\$ 6,408</u>	<u>\$ 48,449</u>
Fund Balance - April 1	<u>468,228</u>	<u>75,507</u>	<u>39,625</u>	<u>583,360</u>
Fund Balance - March 31	<u><u>\$ 485,804</u></u>	<u><u>\$ 99,972</u></u>	<u><u>\$ 46,033</u></u>	<u><u>\$ 631,809</u></u>

The Notes to Financial Statements are an integral part of this statement.

SHERIDAN TOWNSHIP
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2005

Net Change in Fund Balance - Total Governmental Funds	\$ 48,449
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	
Capital asset purchases capitalized	37,753
Depreciation expense	(62,139)
Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduced long-term debt).	44,239
Prepaid items reduce expenses reported in the statement of activities, but are reported as expenditures in the governmental funds because they require the use of current financial resources.	654
Change in Net Assets of Governmental Activities	\$ <u>68,956</u>

The Notes to Financial Statements are an integral part of this statement.

SHERIDAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sheridan Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by Sheridan Township:

The Reporting Entity

The Township operates under an elected five-member Board of Trustees and provides services to its more than 2,100 residents. The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the township and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, generally financed in whole or in part with fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the township is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

SHERIDAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONT'D

Fund Financial Statements

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental activities. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current resources. The Township has presented the following major governmental funds:

General Fund – The general fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of or regulatory provisions or administrative action. The Fire Department fund is the Townships' only special revenue fund.

Sewer Project Debt Service Fund – The Sewer Project Debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs in connection with the sewer project.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

SHERIDAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONT'D

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Private-sector standard of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with standards of the Governmental Accounting Standards Board.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity date within three months or less when acquired.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

SHERIDAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONT'D

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	20 to 40 years
Land Improvements	15 years
Furniture and Fixtures	5 to 20 years
Machinery & Equipment	4 to 10 years
Vehicles	10 years

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

SHERIDAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONT'D

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows: A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included. Entity-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.

The following table shows beginning net assets restated for the effects of implementation of GASB Statement No. 34:

Township Fund Balance at March 31, 2004	\$ 583,360
Net Capital Assets	823,134
Special Assessment Receivable	155,000
Long-Term Debt	(369,672)
Prepaid Expenses	<u>5,878</u>
Restated Net Assets – March 31, 2004	<u>\$1,197,700</u>

Property Taxes

The Township property tax is levied on each December 1, on the State taxable valuation of property located in the Township as of the preceding December 31st.

Although the Township 2004 tax is levied and collectible on December 31, 2005 it is the Township's policy to recognize revenue from this year's tax levy.

The 2004 State Equalized Valuation of the Township totaled \$52,018,600 and the State Taxable Valuation was \$44,575,453, on which taxes levied consisted of .7985 mills for general operations and 4.5 mills for fire department operations. The total township property tax levy was \$238,227.

SHERIDAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Policies

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State Law for the general fund and special revenue funds. All annual appropriations lapse at fiscal year end. Encumbrances are not employed.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the activity level. Expenditures in excess of amounts budgeted are a violation of Michigan Law. State law permits entities to amend their budgets during the year. Any budget amendments are reflected in the budgetary comparison schedules for the general and fire department funds on pages 30 and 31.

Excess of Expenditures Over Appropriations in Budgeted Funds

<u>Fund</u>	<u>Appropriated</u>	<u>Expended</u>	<u>Variance</u>
Fire Department Fund:			
Public Safety:			
Fire Department	\$ <u>178,720</u>	\$ <u>230,693</u>	\$ <u>(51,973)</u>

NOTE 3 - CASH

Michigan Compiled Laws, section 129.91, authorizes the Township to make deposits and invest in the accounts of the federally insured banks, credit unions, and savings and loan associations which have offices in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated three banks for deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 197 has authorized investments in bank accounts and CDs, but not the remainder of State statutory Township as listed above.

SHERIDAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CASH – CONT'D

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 466,293
Investments	<u>145,522</u>
Total	<u>\$ 611,815</u>

The Breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 466,093
Investments in certificates of deposit	145,522
Petty cash or cash on hand	<u>200</u>
Total	<u>\$ 611,522</u>

The bank balance of the primary government's deposits is \$625,274, of which \$216,155 is covered by federal depository insurance

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Local Governmental Unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

At year-end, the government's investment balances were categorized as follows:

Primary Government

	1	Category 2	3	Reported Amount (Fair Value)
Certificates of Deposit	<u>\$145,522</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$ 145,522</u>

SHERIDAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – RECEIVABLES

Receivables as of year-end for the government's individual major and nonmajor funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Fire Department Fund	Sewer Project Debt Service Fund	Total
Receivables:				
Taxes	\$ 5769	22,230		27,999
Special Assessments			155,000	155,000
Other	487			487
Net Receivables	\$ <u>6,256</u>	\$ <u>22,230</u>	\$ <u>155,000</u>	\$ <u>183,486</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. At March 31, 2005, \$155,000 of special assessments are unavailable and reported as deferred revenue.

NOTE 5 – CAPITAL ASSETS

Capital asset activity of the primary unit for the current year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Government Activities				
Capital Assets Not Being Depreciated				
Land	\$ 2,000		\$	\$ 2,000
Capital Assets Being Depreciated				
Buildings	670,466			670,466
Land Improvements	8,143			8,143
Furniture & Fixtures	55,791			55,791
Machinery and Equipment	118,038	37,752		155,790
Vehicles	736,142			736,142
Subtotal	1,588,580	37,752		1,626,332
Less Accumulated Depreciation	767,446	62,139		829,585
Net Capital Assets Being Depreciated	821,134	(24,387)		796,747
Government Activities Total				
Capital Assets-Net of Depreciation	\$ <u>823,134</u>	\$ <u>(24,387)</u>		\$ <u>798,747</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 24,051
Public Safety	38,088
Total Governmental Activities	<u>\$ 62,139</u>

SHERIDAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
Fire Department	\$ <u>77,862</u>	General	\$ <u>77,862</u>

NOTE 7 – LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt services.

Bond and contractual obligation activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
Sewer Project Contract Payable	2.00%	1-1-12	\$180,000	(\$25,000)	\$155,000	\$20,000
Capital Lease Payable	5.89%	4-1-11	<u>189,672</u>	<u>(19,239)</u>	<u>170,433</u>	<u>20,373</u>
Total Government Activities			<u>369,672</u>	<u>(\$44,239)</u>	<u>\$325,433</u>	<u>\$40,373</u>

Annual debt service requirements to maturity for the above obligations are as follows:

	<u>Governmental Activities</u>	
<u>Year End</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 40,373	\$15,138
2007	41,573	11,538
2008	47,843	9,868
2009	44,189	8,022
2010	50,613	6,198
Thereafter	<u>100,842</u>	<u>6,381</u>
Total	<u>\$325,433</u>	<u>\$ 57,145</u>

SHERIDAN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – PENSION

The Township has an informal pension policy where three full-time firemen are paid 3% of their wages annually, at the beginning of the fiscal year, with the intent that this be deposited into an IRA.

NOTE 9 - RISK FINANCING

The Township is exposed to various risks of loss related to theft of, damage to, and distribution of assets; errors and omissions; and injuries to employees. The Township purchases insurance from independent third parties for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, building and contents) and workers' compensation. Settlement amounts have not exceeded insurance coverage for the current or three prior years.

**SHERIDAN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2005**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of Year Fund Balance	\$ 10,000	\$ 10,000	\$ 468,228	\$ 458,228
Resources (Inflows)				
Taxes and Penalties	53,362	53,362	58,196	4,834
Licenses and Permits	20,900	20,900	16,642	(4,258)
State Grants	168,900	168,900	165,085	(3,815)
Interest and Rentals	4,500	4,500	3,071	(1,429)
Other Revenue	7,000	7,000	10,145	3,145
Proceeds from Lease Financing	7,467	37,467		(37,467)
Amounts Available for Appropriation	<u>272,129</u>	<u>302,129</u>	<u>721,367</u>	<u>419,238</u>
Charges to Appropriations (Outflows)				
General Government:				
Township Board	3,600	3,600	3,600	-0-
Supervisor's Office	14,000	14,000	13,500	500
Elections	3,500	3,500	2,898	602
Assessor	500	500		500
Clerk's Office	14,000	14,000	13,500	500
Board of Review	1,800	1,800	1,500	300
Treasurer's Office	14,500	14,500	13,751	749
Township Hall	66,600	66,600	50,336	16,264
Professional Services	33,500	33,500	23,974	9,526
Unallocated	30,000	30,000	216	29,784
	<u>182,000</u>	<u>182,000</u>	<u>123,275</u>	<u>58,725</u>
Public Safety:				
Inspections	10,500	10,500	8,052	2,448
Public Works:				
Road Maintenance	10,300	10,300	2,618	7,682
Street Lighting	4,500	4,500	4,049	451
	<u>14,800</u>	<u>14,800</u>	<u>6,667</u>	<u>8,133</u>
Community and Economic Development:				
Planning Commission	13,600	13,600	7,150	6,450
Zoning	3,000	3,000	2,750	250
Economic Development	6,000	6,000	1,553	4,447
	<u>22,600</u>	<u>22,600</u>	<u>11,453</u>	<u>11,147</u>
Other:				
Payroll Taxes	7,900	7,900	7,480	420
Insurance and Bonds	18,800	18,800	13,713	5,087
	<u>26,700</u>	<u>26,700</u>	<u>21,193</u>	<u>5,507</u>
Capital Outlay	7,467	37,467	34,512	2,955
Debt Service	30,412	30,412	30,411	1
Total Charges to Appropriations	<u>294,479</u>	<u>324,479</u>	<u>235,563</u>	<u>88,916</u>
Budgetary Fund Balance - March 31	\$ <u>(22,350)</u>	\$ <u>(22,350)</u>	\$ <u>485,804</u>	\$ <u>508,154</u>

**SHERIDAN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
MAJOR SPECIAL REVENUE FUNDS - FIRE DEPARTMENT FUND
FOR THE YEAR ENDED MARCH 31, 2005**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of Year Fund Balance	\$ -0-	\$ -0-	\$ 75,506	\$ 75,506
Resources (Inflows)				
Taxes and Penalties	180,000	180,000	200,521	20,521
Federal Grants			49,767	49,767
Charges for Services	7,000	7,000	2,370	(4,630)
Other Revenue			2,500	2,500
Amounts Available for Appropriation	<u>187,000</u>	<u>187,000</u>	<u>330,664</u>	<u>143,664</u>
Charges to Appropriations (Outflows)				
Public Safety:				
Fire Department:				
Personal Services	113,720	113,720	106,340	7,380
Insurance	38,000	38,000	44,321	(6,321)
Utilities	5,200	5,200	4,701	499
Repairs and Maintenance	3,000	3,000	2,557	443
Other Supplies and Expense	6,300	6,300	5,576	724
Capital Outlay	<u>12,500</u>	<u>12,500</u>	<u>67,198</u>	<u>(54,698)</u>
Total Charges to Appropriations	<u>178,720</u>	<u>178,720</u>	<u>230,693</u>	<u>(51,973)</u>
Budgetary Fund Balance - March 31	<u>\$ 8,280</u>	<u>\$ 8,280</u>	<u>\$ 99,971</u>	<u>\$ 91,691</u>